Exhibit 3
Affidavit of Ellen Lapson
PERSONALLY APPEARED BEFORE ME ELLEN LAPSON WHO, HAVING FIRST BEEN DUTY
SWORN, DEPOSES AND STATES AS FOLLOWS:

1. MY NAME IS ELLEN LAPSON AND I AM OVER EIGHTEEN YEARS OF AGE. I AM
QUALIFIED AND COMPETENT TO MAKE THIS AFFIDAVIT.

2. I MAKE THIS AFFIDAVIT BASED UPON MY PERSONAL KNOWLEDGE, EXCEPT AS TO
THOSE MATTERS STATED UPON INFORMATION BELIEF, AND, AS TO THOSE MATTERS, I BELIEVE
THEM TO BE TRUE.

3. I AM A PRINCIPAL WITH LAPSON ADVISORY. IN THIS POSITION, I PROVIDE
FINANCIAL CONSULTING SERVICES TO UTILITIES AND DEVELOPERS OF INFRASTRUCTURE PROJECTS.

4. SOUTH CAROLINA ELECTRIC & GAS COMPANY ENGAGED ME TO ASSIST IN ITS
EVALUATION OF THE REQUEST FILED BY THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF IN THE
ABOVE-CAPTIONS MATTER.

AFFIDAVIT OF
ELLEN LAPSON
5. In this regard, I have prepared Attachment A, my sworn statement, which I incorporate into this affidavit by this specific reference as if repeated verbatim herein.

6. For my sworn statement, I use the question and answer format that is customarily used in proceedings before the Public Service Commission of South Carolina.

7. The answers set forth in Attachment A are based upon my personal knowledge, except as to those matters stated upon information belief, and, as to those matters, I believe them to be true. Each opinion stated in Attachment A is accurate, true, and correct.

FURTHER AFFIANT SAYETH NOT.

Ellen Lapson

Sworn and subscribed to before me this 7th day of December, 2017

Notary Public for New York

My commission expires: ____________________________
ATTACHMENT A

to

Affidavit of Ellen Lapson

(which consists of the sworn statement of Ellen Lapson consisting of 23 pages and Exhibit No. ____EL-1 through Exhibit No. __EL-6)
PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

My name is Ellen Lapson and my business address is 370 Riverside Drive, New York, New York 10025.

BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

I am the founder and Principal with Lapson Advisory.

PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL QUALIFICATIONS.

After graduating from Barnard College of Columbia University in 1969 with a Bachelor of Arts degree in English, I earned a Masters degree in Business Administration from New York University’s Stern School of Business with a concentration in Accounting and minor concentration in Finance. In 1978, I qualified as a Chartered Financial Analyst (“CFA”), and I am a member of the CFA Institute.

I began my career in the financial markets as an equity analyst for five years at Argus Research Corporation analyzing utility company equity securities. For the next 20 years, I held several posts at Chemical Bank and Chemical Securities (now J.P. Morgan) as a corporate banker and an investment banker structuring and executing financial transactions for utility and infrastructure companies. Thereafter, I spent 17 years first as a
senior director and then as a managing director at Fitch Ratings, a major credit rating agency. At Fitch Ratings, I managed analysts who rated credits in the sectors of electricity and natural gas and project finance, and I maintained liaison with bankers and investors in utility securities. During my 37 years as a utility banker and at Fitch Ratings, I gained a depth of experience in dealing with utilities in various degrees of financial distress and I had to confront serious issues involving utilities’ solvency, bankruptcy, and restructuring.

Six years ago, I left Fitch and founded Lapson Advisory where I provide services on matters that involve utility finance including: credit rating advisory to utilities and infrastructure projects; providing advanced training to mid-career professionals in utility finance; and expert testimony.

Q. HAVE YOU PREVIOUSLY TESTIFIED AS AN EXPERT WITNESS BEFORE A REGULATORY COMMISSION?

A. Yes. A list of the proceedings in which I have testified is included in Exhibit No. ___ (EL-1), along with information about my professional credentials and experience in the investment communities.

Q. WHAT IS THE PURPOSE OF YOUR SWORN STATEMENT IN THIS PROCEEDING?

A. The purpose of my sworn statement is to provide expert opinions on the urgency of safeguarding the financial strength of South Carolina Electric & Gas Company (“SCE&G” or the “Company”) at this time and on how the financial markets are likely to react if the Request for Rate Relief to SCE&G’s Rates Pursuant to S.C. Code Ann. § 58-27-920 (the “Request”) by the South Carolina Office of Regulatory Staff (“ORS”) is granted.

Q. PLEASE SUMMARIZE THE KEY POINTS OF YOUR SWORN STATEMENT.
A. The Request, if granted, will undermine the financial stability and viability of SCE&G. Before reaching a decision on the Request, it therefore is critical that the Commission be fully aware of the potential consequences of its decisions in this matter.

The ORS Request seeks the immediate suspension of the collection of revised rates amounting to $445 million per annum\(^1\) that SCE&G collects pursuant to the 2007 Base Load Review Act (“BLRA”). Those revenues represent the financing cost relating to $3.8 billion of investment by SCE&G in the new nuclear project and related transmission, or $3.4 billion excluding transmission investment. SCE&G has invested an additional $1.3 billion in the project that has not yet been approved for revised rates, for a total asset exposure of approximately $4.8 billion, excluding transmission.

If the Commission grants ORS’s Request, this action would most assuredly have immediate and cascading effects on SCE&G’s financial liquidity and viability. Among the unfavorable consequences that can be expected are:

- **Cash flow effect:** 1) Annual Funds from Operations for SCE&G will be reduced by 35-40%; 2) Along with reduced operating cash flow, the Company will have greater dependence on funds from external financial markets, and it is unlikely these funds will be available on reasonable terms.

- **Balance sheet effects:** 1) A determination that the full amount invested of at least $4.8 billion is not an earning asset and, thus, must be written off; 2) While the asset will be written off, the amount of SCE&G’s long-term debt will not be diminished; therefore, the ratio of long-term debt to total capital as measured for regulatory reporting would automatically increase from approximately 48% at September 30

---

\(^1\) That number would be $413 million per annum if the collection of a portion relating to the cost of new transmission assets continues. *See* Second Affidavit Jimmy E. Addison, October 31, 2017.
2017 to 61.6% of capital post-impairment net of the proceeds of the monetization of the Toshiba Corporation payment to SCE&G (the “Toshiba Guarantee”). If the Company also is required to segregate or rebate to customers the Toshiba Guarantee proceeds, the ratio of debt to total capital would rise to 67.5%. However, debt leverage will be even greater as calculated by credit analysts, bond investors, and bankers in that they will include short-term debt and current maturities of long-term debt in their calculation of total debt. Using the method commonly used in the financial markets, the actual September 30, 2017 total debt ratio is 53.2% and the pro forma debt ratio post-impairment with offset of the Toshiba Guarantee is 62.7%. If the Company also must segregate or refund to customers the Toshiba Guarantee amount, total debt would be 72% of capital. (For the pro forma adjustments, see Exhibit No. ___(EL-6).) Either scenario will be viewed negatively by financial market participants, as signals of a company in dire financial stress and, therefore, unlikely to repay investors for capital lent to the Company.

Credit Agreement impact: 1) The reduction in revenues indicated above and the impairment of the asset and increase in debt leverage would undoubtedly be events with “Material Adverse Effect” (a defined term in the bank credit agreements). Thus the banks in the two revolving credit agreements that provide $900 million of credit to SCE&G would no longer be committed to lend; 2) SCE&G could no longer draw under the agreements and could not issue short-term notes (commercial paper) for short-term borrowings; 3) If the ratio of total debt to total capital as defined in the two credit agreements exceeds 70%, as may occur under certain

---

2 SCE&G’s Quarterly Report of Earnings to the Commission as of September 30, 2017. For pro forma adjustments, see Exhibit No. ___ (EL-6).
scenarios, that would constitute an Event of Default, and any credit outstanding under those agreements would become immediately due and payable and no further credit would be available under the agreements.

**Credit rating effect:** Due to all the factors mentioned above, rating agencies would further reduce the long-term credit ratings of SCE&G, and most likely all of the three ratings will be below investment grade.

**Common equity effect:** New common equity, which would be needed to recapitalize SCE&G and bring its ratio of debt to total capital back into line with industry norms, would be more difficult to secure because the price of SCANA’s common shares would most likely fall further. With a diminished ability to issue new common shares and rebalance its capital structure, SCANA’s ability to issue new bonds would be constrained and access to borrow under SCANA’s revolving credit agreement would be eliminated altogether.

Finally, the adverse financial consequences listed above would be materially worsened if the Company is also required to rebate to customers over a short time frame the approximately $1.8 billion in revenues previously collected pursuant to the BLRA (or to segregate or rebate to customers the Toshiba Guarantee). This cash flow stress, combined with the maturing $721 million of bonds in 2018 could well exceed the Company’s access to funding in 2018.

Such a cascade of financial problems would financially devastate the Company. It should also be noted that this financial devastation would not just impact the Company and its investors. These adverse financial consequences may also be detrimental for SCE&G’s
electric customers, because the utility would not have the financial strength and resilience that it needs to meet customers’ demands for safe and reliable electric service. The Company’s ability to deal with the rapid restoration of service after events such as major hurricanes, tornadoes, floods, or fires, or to maintain and upgrade its system also would be compromised. While the Commission and government leaders may be motivated by strong public sentiment to exact immediate retribution against SCE&G and its management, the more radical and punitive those exactions are, the smaller will be the Company’s capacity to fund mandated reimbursements and maintain solvency. Furthermore, a financially distressed SCE&G will be at a severe disadvantage when it comes to serving customers with reliable and resilient service. In sum, the situation is severe, and efforts designed to punish the Company that cripple it financially are likely to have an adverse impact on service quality and reliability.

**Q. WHY SHOULD THE COMMISSION BE URGENTLY CONCERNED ABOUT THE ONGOING FINANCIAL STRENGTH OF SCE&G AT THIS TIME?**

**A.** As I summarized above, the Request has the potential to undermine the financial strength and viability of SCE&G. Financial strength is a critical resource that underlies SCE&G’s ability to fulfill its obligation to meet the needs of electricity consumers, and it should always be a matter of utmost importance to the Commission. Sound financial condition enables a company to cover its operating expenses, to deal with catastrophic events that affect customer service, and to attract capital on favorable terms during all phases of the capital market cycle, in good times and bad. If the ongoing financial strength of SCE&G is compromised, the Company’s ability to provide safe and reliable electric service to its customers will be compromised.
Q. ARE ELECTRIC UTILITIES CONFRONTED WITH SPECIFIC CONCERNS THAT MAKE FINANCIAL STRENGTH ESPECIALLY IMPORTANT?

A. Yes. The electricity delivery and transmission business is capital intensive. The Company is obligated to invest continuously in long-lived fixed assets to serve growth in connections, comply with changing governmental mandates and safety regulations, replace infrastructure at the end of its useful life, and enhance the resilience and reliability of its systems. Catastrophic events and emergencies such as floods, tornadoes, and hurricanes can disrupt customer service and demand that the utility dedicate financial resources for immediate disaster recovery. In addition, during normal times, the Company is investing approximately $500 million each year to upgrade, extend, and replace its facilities, all for the purpose of providing safe and reliable electric service. In order to meet these ongoing financial needs, SCE&G requires continuous access to bank credit facilities and the bond market for funding at reasonable rates.

Q. DOES SCE&G NEED TO MAINTAIN ACCESS TO CAPITAL MARKETS TO CARRY OUT ITS OBLIGATION TO SERVE ITS CUSTOMERS?

A. Yes. SCE&G depends upon short-term and long-term external debt issuance in the capital market. Issuance of long-term debt from time to time enables the Company to refund maturities of long-term debt and to pay down its short-term borrowings. The Company relies on access to bank credit facilities in the form of multi-year revolving credits either as a direct source of funding or as a back-up support for borrowing through short-term notes (commercial paper). Like many utilities, the Company borrows using commercial paper to fund seasonal working capital shortfalls and other funding needs on an interim basis until the outstanding debt balance reaches a level that justifies the issuance
of a new long-term bond series. Access to short-term borrowing of this sort is a basic tool of day-to-day working capital funding that reduces a utility’s interest costs and revenue requirements. The ability to issue long-term bonds, such as SCE&G’s first mortgage bonds, provides an efficient source of funding to support the long-term fixed assets of the utility at relatively low costs to customers.

Q. WHAT OBJECTIVE MEASURES OF CORPORATE FINANCIAL STRENGTH ARE RECOGNIZED BY BANKERS, CREDIT COUNTERPARTIES, AND INVESTORS?

A. Long-term credit ratings by recognized credit rating agencies evaluate the business and financial characteristics and risks of companies against transparent criteria, taking into consideration key factors such as the adequacy and predictability of operating cash flow relative to the amount of debt and other financial commitments. Long-term credit ratings are a measure of the estimated risk of default on payments, and are widely accepted as indicators of a company’s financial soundness and liquidity.

Q. WHAT ARE SCE&G’S LONG-TERM CREDIT RATINGS ACCORDING TO STANDARD & POOR’S (“S&P”), MOODY’S, AND FITCH AND HOW HAS THE FILING OF THE REQUEST BY ORS AFFECTED THOSE RATINGS?

A. The current issuer credit ratings for the Company are listed in Table 1 below. S&P’s BBB and Moody’s Baa2 rating are effectively the same rating, indicating the next to lowest investment grade rating of those agencies. Fitch’s rating of BBB- is one notch lower than the ratings by S&P and Moody’s and is the lowest rating within the investment grade category. Exhibit No. __ (EL-2) compares the long-term credit rating designations of the three agencies and shows their equivalences. Both S&P and Fitch downgraded
SCE&G’s long-term ratings on the dates indicated at the bottom of the table. Moody’s maintained its rating of the Company’s credit on the indicated date, but it changed its credit outlook status from a Negative Outlook to “On Review for Possible Downgrade” (the equivalent to Watch Negative).

Table 1
Long-Term Issuer Credit Ratings of SCE&G

<table>
<thead>
<tr>
<th>S&amp;P</th>
<th>Moody’s</th>
<th>Fitch</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term Issuer Credit Rating*</td>
<td>BBB</td>
<td>Baa2</td>
</tr>
<tr>
<td>Outlook or Watch</td>
<td>Watch Negative</td>
<td>On review for Downgrade</td>
</tr>
<tr>
<td>Date of action</td>
<td>Sept. 29, 2017</td>
<td>Nov. 1, 2017</td>
</tr>
</tbody>
</table>

In their published explanations of the rationale for their rating actions, included as Exhibit Nos. ___(EL-3), ___ (EL-4), and ___ (EL-5), all three of the agencies cited the Request by ORS and commented that further downgrades are likely if major customer refunds are ordered by the Commission, if the BLRA is determined to be unconstitutional, or if revenues previously collected pursuant to the BLRA must be returned to customers over a short period of time.

Q. HOW DOES CREDIT QUALITY AFFECT INVESTORS’ INVESTMENT DECISIONS?

A. Instruments with higher credit ratings can appeal to a broader market of investors, because they are eligible investments under the regulations or the internal investment policies and guidelines of the greatest number of institutional investors. When bonds carry low credit ratings, some investment accounts are forbidden to hold them, and many other
accounts have internal investment guidelines that restrict the percentage of the portfolio that may be comprised of investments of lower credit ratings. Even when investment managers are not constrained by law or policy to investments of specific credit ratings, they use ratings from credit rating agencies and their own evaluations of credit quality to shape their investment decisions. In particular, when credit ratings are below investment grade or at the borderline between investment grade and sub-investment grade ratings, the access to short-term credit and to issuing long-term bonds becomes more difficult and more costly.

Q. WHAT IS THE BOUNDARY BETWEEN INVESTMENT GRADE AND SUB-INVESTMENT GRADE RATINGS?

A. As shown in Exhibit No. ____ (EL-2), for S&P and Fitch, BBB- is the lowest rating within the investment grade, and BB+ is the upper boundary of the sub-investment grade category (also called “speculative grade”). In the case of Moody’s, Baa3 is the lowest investment grade rating and Ba1 is the upper boundary of the speculative category. Risk of default is relatively low within the mid- and high-investment grade categories, but default risk widens out materially at the boundary of investment grade and at successively lower ratings.

Q. WHAT IS THE RELATIONSHIP BETWEEN CREDIT RATINGS AND THE COST OF DEBT FINANCING?

A. In general, investors expect to be paid more to hold investments of lower credit quality. During periods of uncertainty or financial market distress, the pricing disparity between credit rating categories widens materially relative to more normal periods. But it is not just a matter of the cost; lower credit ratings also reduce access to funding. At sub-investment grade ratings, companies are no longer eligible for funding in the commercial
paper market, so they lose access to a low-cost source of funding. Also, sub-investment
grade credits may not be able to issue any material amount of fixed rate debt for periods
longer than five to ten years at the longest—quite a difference from the access that
investment grade companies have to longer term bond issuance out to maturities of 50
years.

Q. WHEN CONSIDERING WHETHER A COMPANY IS OF INVESTMENT GRADE
OR SUB-INVESTMENT GRADE STATUS, WHICH RATINGS ARE RELEVANT?
A. The long-term unsecured issuer credit rating or the unsecured debt rating is the
relevant rating for that purpose.

Q. ARE SCE&G’S UNSECURED LONG-TERM CREDIT RATINGS IN THE
INVESTMENT GRADE CATEGORY?
A. Currently, yes. However, as I have already mentioned, all three of the credit rating
agencies that rate the Company have indicated that their ratings are on a Watch status for
a possible downgrade. Fitch’s rating of BBB- is already at the very bottom rung of the
investment grade category, and any downgrade would place the rating in the BB category,
which is below investment grade. S&P has already indicated that its next possible near-
term downgrade may be a two-notch downgrade (that is, to BB+). Moody’s has not given
any indication of the potential magnitude of a downgrade, but, if the company loses access
to its revolving credit facilities, Moody’s criteria would require lowering the rating into the
sub-investment grade category, probably to no higher than Ba2, a three-notch downgrade.
Investors assume that any punitive legislative or regulatory outcome would bring all three
rating agencies’ ratings into the sub-investment grade realm.
Q. DOES SCE&G CURRENTLY HAVE ADEQUATE ACCESS TO THE LONG-TERM AND SHORT-TERM CREDIT MARKETS?

A. Yes. However, the Company’s current issuer credit ratings are at or near the bottom of the investment grade category. In addition, they are among the lowest 10% of ratings in the universe of regulated U.S. utility operating companies. As such, the ratings currently are minimally adequate to give the Company access to long-term and short-term credit and trade credit from its counterparties.

Q. WOULD GRANTING THE RELIEF REQUESTED BY ORS RESULT IN FURTHER CREDIT DOWNGRADES FROM THE CURRENT LEVELS AT THE THREE AGENCIES?

A. Yes. This outcome is clearly indicated in the explanations given by the three agencies at the time of their most recent rating actions. For example, Moody’s stated on November 1, 2017 when it placed SCE&G’s Baa2 rating on review for downgrade:

Specifically, if the ORS recommendations were to be adopted, there would be a significant reduction in cash flow and a meaningful impact on credit metrics. For example, we estimate the companies’ ratios of cash flow from operations excluding changes in working capital (CFO pre-WC) to debt, which are currently in the high-teens to twenty percent range, could move to the mid-to-low teens range. In addition, implementation of the ORS recommendation could lead to a substantial asset impairment, which in some downside scenarios, could result in a covenant violation under the companies' credit facilities, restricting their access to liquidity. In light of the increased regulatory and political uncertainty, the resulting metrics would likely no longer be appropriate for the companies' current ratings.3

The reduction in operating cash flow operations to debt that Moody’s cites would indicate a potential rating for SCE&G either one notch lower at Baa3—the lowest investment grade rating—or two notches lower at Ba1—a speculative rating. Importantly, however, the debt

---

3 Moody’s Investors Service, “Rating Action: Moody’s Places SCANA and SCE&G on Review for Downgrade”, November 1, 2017 (Exhibit No. ___ (EL-3) at 1).
to capital ratio resulting from the related asset impairment would rise to 62.7% if SCE&G
retains the offset of the Toshiba Guarantee, or to 72% if there is no offset from the Toshiba
 Guarantee. These capital ratios are indicative of a Moody’s rating in the Ba or low Ba
category. Assuming that at the same time SCE&G lost access to borrowing under its
revolving credit agreement, the resultant loss of liquidity would predict a change in
Moody’s rating to Ba2 or lower—a three-notch downgrade.4

S&P’s most recent commentary on its September 29, 2017 rating action (which
lowered SCE&G’s rating and placed the rating on a Negative Watch) stated:

We could lower the ratings on SCANA and its subsidiaries if Summer-
related rates are rescinded. We could further lower ratings if legal
challenges to a rate decrease are unsuccessful, if the SCPSC orders cash
refunds or rate credits for Summer-related costs, if the BLRA is repealed or
changed by the legislature, or if the BLRA is deemed unconstitutional.5

In short, SCE&G’s issuer credit rating will be downgraded by at least one notch or more,
and below investment grade, if the $445 million of revenue collection is interrupted.
Ratings would be further downgraded if the Commission also orders rate credits or rate
refunds for prior revenue collections.

When Fitch lowered the rating of SCE&G and placed the new rating on Watch
Negative on September 27, 2017, Fitch provided an explanation of what circumstances
would lead to a further reduction of the rating to below investment grade:

Negative Rating Action: Future developments that may, individually or
collectively, lead to a negative rating action include:
--Availability under committed liquidity facilities and anticipated internally
generated cash flows falling short of expected obligations due in the next 12-18
months.

---

4 The outcome would be at least a three-notch downgrade if Moody’s rating committee decides at its review
of the Company to assess SCE&G’s financial metrics based on its table of Standard Volatility credit benchmarks,
rather than the Low Volatility benchmarks used for most rate-regulated utilities in supportive regulatory environments.
5 Standard & Poor’s, “Research Update: SCANA Corp. And Subsidiaries Downgraded To 'BBB' On Adverse
Regulatory Developments And Placed On Watch Negative,” September 29, 2017 (Exhibit No. ___ (EL-4) at 4).
--Unfavorable terms for the recovery of stranded costs, and/or material unrecoverable costs;
--Continued deterioration in the regulatory and legislative environment in South Carolina;
--Adjusted debt/EBITDAR consistently and materially exceeding 5.0x.  

The reduction in operating cash flow resulting from the removal of revenues as sought in the Request would cause the ratio of Debt to Earnings before Interest, Taxes, Depreciation, Amortization, and Restructuring (“EBITDAR”) to rise to 6 times or greater, fulfilling one of Fitch’s conditions for downgrade. A second condition for downgrade would be triggered if SCE&G lost access to drawings under the revolving credit agreements.

In summary, it is my opinion that granting ORS’s initial Request to suspend all revised rates collection from customers, even without refunds, would trigger downgrades by all three rating agencies in the magnitude of one or more notches. This would result in a downgrade to sub-investment grade by one or more agencies.

Q. **WHAT IMPACT WOULD DOWNGRADING SCE&G’S UNSECURED LONG-TERM AND SHORT-TERM CREDIT RATINGS HAVE ON THE COMPANY?**

A. Having investment grade ratings in the BBB range (S&P and Fitch) or Baa range (Moody’s) is a minimum requirement for sustainable management of a public utility. If SCE&G’s credit ratings are downgraded further, the Company would face higher costs of long-term debt, and funding or refunding large amounts of long-term debt would become difficult. It would no longer be advantageous for SCE&G to sell long-term bonds, and the Company probably could issue only intermediate term bonds (such as three to seven years), setting up a greater dependence on external debt issuance in the succeeding years. With

---

6 Fitch Ratings, “Press Release: Fitch Downgrades SCANA to ‘BB+’ / SCE&G to ‘BBB-‘; Negative Watch Maintained,” September 27, 2017 (Exhibit No. ___ (EL-5) at 2-3).
sub-investment grade long-term credit ratings, SCE&G’s short-term ratings would also be in the sub-investment grade category, and that would eliminate the possibility of accessing the commercial paper market. Access to the commercial paper market is also dependent on having access to full back-up for the commercial paper issued in the form of an undrawn committed credit facility, and that condition would no longer be present if ORS’s Request is granted.

Q. IN ADDITION TO ITS CREDIT RATINGS, WHAT ELSE IS NECESSARY FOR THE COMPANY’S CONTINUING LIQUIDITY AND FINANCIAL STABILITY?

A. A vital factor affecting SCE&G’s liquidity and access to short-term capital is the ability to draw under its Revolving Credit Facilities. Currently, SCE&G has access to two revolving credit agreements, a $200 million facility that extends until December 2018 and another $700 million facility that extends until December 2020. These two facilities totaling $900 million provide the Company with the essential liquidity and flexibility to operate and carry out its business. However, continued access to bank credit and short-term funding is significantly threatened by ORS’s Request and by various punitive measures under discussion in the Legislature.

Q. WHAT IMPACTS WOULD THE RELIEF SOUGHT BY ORS HAVE UPON THE COMPANY’S ACCESS TO ITS BANK CREDIT AGREEMENTS?

A. The two credit agreements share similar conditions to borrowing, covenants, and events of default. The agreements both require SCE&G as borrower to disclose to the lenders any occurrences having Material Adverse Effect (“MAE”) relative to the base conditions that prevailed at the initiation of the credit agreement. For example, whenever a loan is drawn under the facility, an officer of the borrower must warrant that there has
been no event having MAE, or disclose such MAE to the lenders. An occurrence having MAE would eliminate the lenders’ commitments to fund drawings under the agreement.

If SCE&G had outstanding commercial paper at the time of an occurrence having MAE, the Company would not be able to issue new commercial paper at the maturity of the outstanding notes, and would not be able to draw any loans under the revolving credit.

Furthermore, if the full amount of the nuclear project asset is impaired and must be written off and the Company is not able to retain the offset of the Toshiba Guarantee as a reduction in debt, SCE&G would likely violate one of the financial covenants of the two revolving credit agreements because the amount of the Company’s debt as defined would likely exceed 70% of total capital as defined. When this covenant is breached, no further drawing would be permitted under the revolving credit agreements and any amounts due under the revolving credit would become immediately due and payable. Consequently, other agreements and credit arrangements with vendors may also experience defaults and require immediate repayment as a result of an Event of Default under the bank credit agreements.

Q. IS A COMPANY’S CAPITAL STRUCTURE A MAJOR DETERMINANT OF THE COMPANY’S FINANCIAL RISK AND ITS FINANCIAL STRENGTH?

7 “Material Adverse Effect” is defined in the $200,000,000 Amended and Restated Three-Year Credit Agreement dated as of December 17, 2015 and in the $700,000,000 Second Amended and Restated Five-Year Credit Agreement dated as of December 17, 2015 to mean “a material adverse effect on (a) the properties, business, assets, liabilities (actual or contingent), operations, condition (financial or otherwise) of the Borrower on a consolidated basis and its Subsidiaries, taken as a whole, (b) the ability of the Borrower to perform its obligations under this Agreement or any of the other Loan Documents to which the Borrower is a party or (c) the validity or enforceability against the Borrower of this Agreement, any of the other Loan Documents to which the Borrower is a party, or the rights and remedies of the Agent, the Issuing Banks and the Lenders hereunder or thereunder.” (Emphasis added.) A regulatory order removing revenues that previously made up more than a third of the Company’s Funds from Operations, or the invalidation of the BLRA, or the write-off of several billions of dollars of assets, or the resulting change in the balance of debt and equity on the balance sheet would each individually or all taken together match the conditions described in part (a) of the definition.
A. It most certainly is. Regarding the concept of financial risk, Roger Morin explains:

Financial risk stems from the method used by the company to finance its investments and is reflected in its capital structure. It refers to the additional volatility imparted to income available to common shareholders by the employment of fixed cost financing, that is, debt and preferred cost capital. Although the use of fixed-cost capital can offer financial advantages through the possibility of leverage of earnings (financial leverage), it creates additional risk due to the fixed contractual obligations associated with such capital. Debt and preferred stock carry fixed charge burdens that must be supported by the company's earnings before any return can be made available to the common shareholder. The greater the proportion of fixed charges to the total income of the company, the greater the financial risk. 

To state this in another way, the greater the proportion of equity capital in the capital structure, the greater the company's financial strength.

Q. DOES THE FINANCIAL RISK STEMMING FROM A GREATER PROPORTION OF DEBT FINANCING IN THE CAPITAL STRUCTURE AFFECT ONLY THE RISKS BORNE BY SHAREHOLDERS?

A. No. A greater proportion of debt (and correspondingly lower proportion of equity) in the capital structure increases not only shareholders’ financial risk due to the increased volatility of earnings, but it also raises the financial risk of all debt holders and trade creditors through the increased risk of default. Morin expresses the situation as follows: “More generally, a financial risk premium is required by both bondholders and common shareholders.” Moreover, in the case of a public utility, increased financial leverage and rising default risk typically weaken the utility’s ability to fund investments in its network and lead to lower levels of reliability and customer service. In summary, funding the utility with a greater proportion of debt capital and a lower proportion of equity capital increases financial risk for shareholders, bondholders, lenders, trade creditors, and utility consumers.

---

9 Id.
Q. WHAT EFFECT WILL THE REQUEST HAVE ON THE CAPITAL STRUCTURE OF SCE&G?

A. Eliminating the collection from customers of the debt and equity carrying costs of the assets SCE&G invested in the new nuclear project likely will result in the impairment of the associated assets and their removal from the balance sheet. The likely effect of this impairment on the capital structure is shown by means of pro forma adjustments to the Company’s September 30, 2017 capital in Exhibit No. ____ (EL-6). The impairment would increase SCE&G’s ratio of debt to total capitalization as measured by bond analysts and credit rating agencies from approximately 53% at September 30, 2017 to 62.7% post-impairment assuming that the proceeds of the Toshiba Guarantee are an offset. This debt leverage ratio would further rise to around 72% post-impairment if the Commission orders the Company to turn over the proceeds of the Toshiba Guarantee, either for customer bill credits or into some form of segregated or escrow account.

Q. IS THE DEGREE OF DEBT LEVERAGE UNDER THE RESULTING POST-IMPAIRED CAPITAL STRUCTURE NORMAL OR DESIRABLE FOR AN ELECTRIC UTILITY?

A. No. In my professional experience over the past several decades, regulatory capital structures for U.S. investor-owned utilities are typically closer to 50% equity and 50% debt. In fact, in regulatory decisions for investor-owned electric utilities over the past two to three years, a debt component in excess of 60% of total capital is an outlier, and I am not aware of cases in which a 70% ratio was authorized.

Q. HOW OR WHEN DO UTILITIES AND CONSUMERS BENEFIT FROM THE UTILITY’S STRONGER FINANCIAL CAPABILITY?
A. Financial strength, access to liquidity, and investment grade ratings are essential for a utility to have the financial flexibility to respond to emergencies and extreme events such as hurricanes, tornadoes, and floods. During those types of events, SCE&G needs strong access to the commercial paper and capital markets and the confidence of the investment community in order to fund its recovery efforts immediately. If the Company is of sub-investment grade or lacks access to bank credit and short-term borrowings, this purpose is frustrated. When I think of past climate events that have affected South Carolina, it should be quite obvious that a utility cannot mount a rapid and effective storm restoration plan without the confidence of its counterparties, suppliers, vendors, and the ability to immediately borrow the funds needed to mobilize work crews, order new equipment, and pay for other restoration costs prior to rate recovery of those cash outflows. Recent problems at the financially distressed Puerto Rican Electric Power Authority (“PREPA”) in restoring power to its customers in the wake of hurricanes Irma and Maria illustrate this point.

Q. ARE THERE OTHER BENEFITS OF SOUND CREDIT QUALITY TO SCE&G AND ITS CUSTOMERS?

A. Yes. Trade creditors and energy market counterparties impose limits on the amount of unsecured credit they will provide based on the credit quality of their counterparty. By maintaining sound credit ratings, SCE&G is able to maximize the amount of unsecured credit available from vendors and energy providers and pass the resulting cost benefits on to its customers. Credit ratings also affect the cost and availability of bank credit facilities. Banks are required by their regulators to maintain capital against their loan assets and undrawn commitments based on the riskiness of the borrower. Consequently, banks
provide larger amounts of credit more readily and on more favorable terms to borrowers of
stronger credit quality. Banks charge progressively higher fees on undrawn credit and
higher interest spreads on notes or letters of credit outstanding for progressively lower rated
borrowers.

**Q. CAN YOU PROVIDE ANY OTHER EXAMPLES OF BENEFITS TO SCE&G’S**
**CUSTOMERS FROM STRONG CREDIT QUALITY AND MARKET ACCESS?**

**A.** Utilities’ access to long-term and short-term debt funding varies depending upon
capital market cycles. During normal or robust periods in the financial markets, such as is
currently the case, rate-regulated utilities with investment grade credit ratings typically are
able to issue new debt instruments in large amounts at any level of ratings, while sub-
investment grade credits have less assured access to new funding. But times are not always
as favorable in the capital market as the present market phase. During periods of financial
market distress, access to the long-term and short-term debt markets becomes constrained
not only for sub-investment grade credits but also for those in the lower tier of the
investment grade category, i.e., those with ratings of BBB (from S&P or Fitch, or the
equivalent Moody’s rating of Baa) and BBB- (or Baa3).

At past times of market transition or distress, issuers with unsecured credit ratings
in the range of low A (A- or A3) to high A (A+ or A1) were able to sell bonds in the long-
term market when companies with lesser credit ratings were not able to fund in the quantity
needed to refund maturing debt or carry out their capital expenditures as planned. Those
companies that are forced to draw heavily on bank lines during the period of market stress
are exposed to higher costs of funding and the scarcity of new bank credit commitments
and face a greater risk of illiquidity. Typically, bank capital is constrained at the very time
of financial market stress. If SCE&G has no access to its revolving credit facilities, it would be solely dependent on long-term bond issuance for needed operational funding. Capital markets may be constrained for sub-investment grade or BBB- and Baa3 credits at the very time when SCE&G faces a large financing need. At such times, having a more sound equity position and lower financial leverage becomes particularly important. In summary, sound financial condition and access to credit lines provides greater financial flexibility and access to funds at all times in the market cycle, even in distressed markets.

Q. ARE YOU FAMILIAR WITH BANKRUPTCIES AND RESTRUCTURINGS OF REGULATED U.S. UTILITIES?

A. Yes. My financial career specializing in the utility sector as a banker and then as a credit analyst and leader in rating utility credits has exposed me to a depth of practical experience of utility bankruptcies.

Q. IF ORS’S REQUEST IS GRANTED, COULD SCE&G BE PUT AT RISK OF HAVING TO FILE FOR BANKRUPTCY PROTECTION?

A. Yes. Granting ORS’s Request could be the first step in a quick cascade that would result in SCE&G’s illiquidity and financial distress and could lead to a bankruptcy petition. While a petition for bankruptcy protection is a possible outcome, it is not an inevitable outcome at this point. Paths are available for resolution that would spare the extreme waste and burden of a bankruptcy proceeding, and they are largely in the hands of this Commission and other public officials and legislators. By granting the ORS Request, the Commission would take a first step in hastening that cascade of financial calamity. In summary, granting the relief requested by the ORS could set off forces that would sweep
the situation beyond the Commission’s control and into the jurisdiction of the federal
bankruptcy court.

Q. WHAT IMPACT WOULD A BANKRUPTCY PROCEEDING HAVE ON
SCE&G’S CUSTOMERS AND ON THE COMMISSION?

A. In my experience, a utility bankruptcy proceeding is a time-consuming and wasteful
process. Thousands of hours of the utility’s management and of the time of the
Commissioners and ORS would be consumed, and this is a distraction from the necessary
work of normal operations, planning, and oversight. The median length of a utility
bankruptcy proceeding in the modern era is approximately three years, and some cases
have gone on for more than four years.\(^\text{10}\) During such proceedings, hundreds of millions
of dollars are spent on bankruptcy counsel, specialized accounting services, and other
bankruptcy professionals, and these are dollars that would otherwise be available to satisfy
the utility’s customers, but instead are consumed in a process that is outside of the control
of the Commission. The best interest of customers would be served by a resolution that
keeps SCE&G personnel, ORS, and the Commission focused on SCE&G continuing to
deliver safe and reliable electric service, and not on serving the bankruptcy court process.

Customers have a pressing need to have a reliable and financially sound utility, and
the bankruptcy procedure can delay reaching that objective and drain resources from
SCE&G that could otherwise be used to reduce customer rates or provide other types of
restoration.

Q. PLEASE SUMMARIZE YOUR CONCLUSIONS.

\(^{10}\) This is longer than the median duration of corporate bankruptcies outside the utility sector, often because
of the complicated interplay between the federal bankruptcy court and state regulatory procedures to reach necessary
utility regulatory settlement or tariff provisions.
A. Granting ORS’s Request could place SCE&G on a path to extreme financial
distress, due to a cascade of factors. As I have already explained, these may result in taking
a substantial impairment of the assets on SCE&G’s balance sheet, substantially higher
financial debt leverage, downgrades of SCE&G’s credit ratings below investment grade,
and the loss of access to borrowing under committed revolving credits. Even more severe
liquidity stress would result if SCE&G is also ordered to refund to customers or segregate
the proceeds of the Toshiba Guarantee or the approximately $1.8 billion in revenues
previously collected pursuant to the BLRA. If the combined financial stress of these events
along with the impending maturities of long–term debt in 2018 exceed SCE&G’s ability to
meet all pending claims, that chain of events would likely be the trigger for default or
bankruptcy actions.

It is of vital interest to utility customers and to the Commission to assure that the
utility that provides electric service to consumers is financially sound and stable. The
Commission can and should avoid setting off a cascade of financial crisis by rejecting the
relief sought by the ORS and issuing a decision that adheres to the legal principles that the
Commission, ORS, other parties, and most assuredly investors relied upon when investing
millions of dollars into the V.C. Summer project. While certainly the abandonment of the
project is disappointing and frustrating to all involved, disappointment and frustration
should not be used as a reason to now jeopardize the financial integrity of the Company
and force its bankruptcy, resulting in great harm to everyone, including customers, and the
state of South Carolina.

Q. DOES THIS CONCLUDE YOUR SWORN STATEMENT?

A. Yes, it does.
SUMMARY OF QUALIFICATIONS

Industry expert on financing utilities and similar types of infrastructure. Over 40 years of professional experience in commercial and investment banking, securities analysis, and credit ratings. Focus on utilities, power generation and alternative energy sources, natural gas and fuels, corporate and project finance.

Provide executive training in utility financial analysis and credit analysis.

Consult and provide expert witness testimony in matters involving capital access for infrastructure, energy and utilities. (See pages 3-5.)

MBA in accounting and finance; Chartered Financial Analyst (CFA).

EMPLOYMENT

Lapson Advisory
Principal
Dec. 2011 - present

Fitch Ratings
Utilities, Power & Gas
Managing Director
1999-2011
Senior Director
1994-1999

Financial consulting services to utilities and developers of infrastructure projects. Financial strategy and credit advisory for power, energy, infrastructure companies, and utilities. Expert witness testimony on financial and regulatory topics relating to utilities and infrastructure finance. Design and conduct financial and credit training.

Chair of Fitch’s global Corporate Finance Criteria Committee overseeing criteria for rating corporations, financial institutions, insurers, REITs, and project finance transactions (2010-2011).

Manager or primary analyst on credit ratings of over 200 utility, pipeline, power generation companies. Utility tariff monetization. Senior member of rating committees for utilities and energy and power-related projects.

Liaison with utility sector fixed income investors, focusing on 50 largest institutional investors holding utility and power bonds, buy-side and sell-side analysts, and utility bankers.
Managed financial advisory transactions, structured debt private placements, syndicated credit facilities for utilities, mining and metals, project finance. Structured financing for utility regulatory assets (first of its kind “stranded cost” securitization transaction) for Puget Energy, 1992-94.

Led financing for bankrupt utility as debtor-in-possession; prepared financing plans for distressed utilities; structured exit financing for reorganization of two utilities emerging from Chapter 11.

Divisional Controller - 1981-1986

Argus Research Corp.
Equity Security Analyst – Utilities
1969-1974

EDUCATION & CHARTER

Stern School of Business, New York University, MBA, 1975
   Major concentration: Accounting
   Master’s Thesis: Cash Flow vs. Accrual Accounting Data in Utility Equity Valuation
Chartered Financial Analyst (CFA) since 1978
Barnard College, Columbia University, BA, 1969

PROFESSIONAL ASSOCIATIONS

Institute of Chartered Financial Analysts, 1978 - present
Wall Street Utility Group, 1996 - present

ADVISORY COUNCILS AND BOARD SERVICE

Rocky Mountain Institute Sustainable Finance Advisory Board member. 2016 to present.


Electric Power Research Institute, Advisory Council, 2004-2011; Chair, 2009 and 2010.
<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Proceeding</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>DC Public Service Commission</td>
<td>Formal Case No. 1142, Merger Application of AltaGas Ltd. and Washington Gas Light, Inc. (2017)</td>
<td>Ring-fencing for utility merger; financial strength</td>
</tr>
<tr>
<td>Public Service Commission of Maryland</td>
<td>Docket No. 9449, In the Matter of the Merger of AltaGas Ltd. and Washington Gas Light, Inc. (2017)</td>
<td>Ring-fencing for utility merger; financial strength</td>
</tr>
<tr>
<td>U.S. Federal Energy Regulatory Commission</td>
<td>Dockets No. ER13-1508 et alia, Entergy Arkansas, Inc. and other Entergy utility subsidiaries, on behalf of Entergy Services Inc. (2014)</td>
<td>Capital market environment affecting the measurement of the cost of equity capital</td>
</tr>
<tr>
<td>Jurisdiction</td>
<td>Proceeding</td>
<td>Topic</td>
</tr>
<tr>
<td>--------------------------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------</td>
</tr>
<tr>
<td>Delaware Public Service Commission</td>
<td>DE Case 14-193, Merger of Exelon Corp. and Pepco Holdings, Inc. on behalf of the Joint Applicants (2015)</td>
<td>Ring-fencing for utility merger; avoidance of financial harm</td>
</tr>
<tr>
<td>Maryland Public Service Commission</td>
<td>Case No. 9361, Merger of Exelon Corp. and Pepco Holdings, Inc. on behalf of the Joint Applicants (2015)</td>
<td>Ring-fencing for utility merger; avoidance of financial harm</td>
</tr>
<tr>
<td>New Jersey Board of Public Utilities</td>
<td>BPU Docket No. EM 14060581, Merger of Exelon Corp. and Pepco Holdings, Inc., on behalf of the Joint Applicants (2015)</td>
<td>Ring-fencing for utility merger; avoidance of financial harm</td>
</tr>
<tr>
<td>DC Public Service Commission</td>
<td>Formal Case No. 1119 Merger of Exelon Corp. and Pepco Holdings Inc., on behalf of the Joint Applicants (2014-2015)</td>
<td>Return on Equity; capital market environment</td>
</tr>
<tr>
<td>Illinois Commerce Commission</td>
<td>Docket No. 12-0560 Rock Island Clean Line LLC, on behalf of Commonwealth Edison Company, an intervenor (2013)</td>
<td>Access to capital for a merchant electric transmission line; financial capability Return on Equity; capital market view of transmission investment</td>
</tr>
<tr>
<td>U.S. Federal Energy Regulatory Commission</td>
<td>Docket EL13-48-000 Delaware Division of the Public Advocate, et. al. vs. Baltimore Gas and Electric Company and PEPCO Holdings et al., on behalf of (i) Baltimore Gas and Electric and (ii) PEPCO and subsidiaries (2013)</td>
<td>Return on Equity; capital market view of transmission investment</td>
</tr>
<tr>
<td>Jurisdiction</td>
<td>Proceeding</td>
<td>Topic</td>
</tr>
<tr>
<td>--------------------------------------</td>
<td>----------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------</td>
</tr>
</tbody>
</table>

**CONSULTING & ADVISORY ASSIGNMENTS**

<table>
<thead>
<tr>
<th>Utility (Undisclosed)</th>
<th>Credit advisory on ratings under a specific scenario.</th>
<th>Objective: Compare strategic alternatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utility (Undisclosed)</td>
<td>Evaluated debt equivalence of power purchase obligations.</td>
<td>Objective: Clarify credit impact of various contract obligations.</td>
</tr>
<tr>
<td>Bank (Undisclosed)</td>
<td>Research study and recommendations on Loss Given Default and historical experience of default and recovery in the regulated utility sector.</td>
<td>Objective: Efficient capital allocation for loan portfolio.</td>
</tr>
<tr>
<td>GenOn Energy Inc.</td>
<td>White Paper on appropriate industry peers for a competitive power generation and energy company.</td>
<td>Objective: Improve peer comparisons in shareholder communications and for compensation studies.</td>
</tr>
<tr>
<td>Transmission Utility</td>
<td>Recommended the appropriate capital structure and debt leverage during a period of high capital spending.</td>
<td>Objective: Make efficient use of equity during multi-year capex project; preserve existing credit ratings.</td>
</tr>
<tr>
<td>Toll Highway (Undisclosed)</td>
<td>Advised on adding debt while minimizing risk of downgrade.</td>
<td>Objective: Increase leverage and free up equity for alternate growth investments, while preserving credit ratings.</td>
</tr>
<tr>
<td>District Thermal Cooling Company (Undisclosed)</td>
<td>Recommended a project loan structure to deal with seasonal cash flow. Optimized payment schedule, form and timing of financial covenants.</td>
<td>Objective: Reduce default risk; efficient borrowing structure.</td>
</tr>
</tbody>
</table>
PROFESSIONAL AND EXECUTIVE TRAINING

In-house Training,
Southern California Edison Co., Rosemead CA
Designed and delivered in-house training program on evaluating the credit of energy market counterparties, Nov. 2016

In-house Training,
Undisclosed Financial Institution, NYC
Develop corporate credit case for internal credit training program and coordinate use in training exercise, 2016

CoBank, Denver CO
Designed and delivered “Midstream Gas and MLPs: Advanced Credit Training”, 2014

Empire District Electric Co., Joppa MO
Designed and delivered in-house executive training session


PPL Energy Corp, Allentown PA
Designed and delivered in-house Financial Training, 2014

SNL Knowledge Center Courses
“Credit Analysis for the Power & Gas Sector”, 2011-2014

EEI Transmission and Wholesale Markets School
“Financing and Access to Capital”, 2012

“Credit Analysis for the Power Sector”, 2012

National Rural Utilities Coop Finance Corp.

Judicial Institute of Maryland (Private seminar for MD judges)

PUBLICATIONS

BOOK CHAPTERS


### Credit Rating Correspondences
### Long-Term Ratings

**Moody's** | **Fitch and S&P**
--- | ---
*Investment Grade*
Aaa | AAA
Aa1 | AA+
Aa2 | AA
Aa3 | AA-
A1 | A+
A2 | A
A3 | A-
Baa1 | BBB+
Baa2 | BBB
Baa3 | BBB-

*Not Investment Grade*
Ba1 | BB+
Ba2 | BB
Ba3 | BB-
B1 | B+
B2 | B
B3 | B-
Caa1 | CCC+
Caa2 | CCC
Caa3 | CCC-
### Rating Action: Moody's places SCANA and SCE&G on review for downgrade

**Global Credit Research - 01 Nov 2017**

Approximately $8.5 billion of debt and credit facilities affected

New York, November 01, 2017 -- Moody's Investors Service (Moody's) placed the ratings of South Carolina Electric & Gas Company (SCE&G, Baa2) and its parent company SCANA Corporation (SCANA, Baa3) on review for downgrade. The review is prompted by the escalating political and regulatory contentiousness that has developed following the organization's decision to cease construction of the V.C. Summer new nuclear units 2 and 3. The review will primarily focus on the impact of ongoing proceedings before the Public Service Commission of South Carolina (SCPSC).

**RATINGS RATIONALE**

The intensity of the political and regulatory backlash following SCE&G's and SCANA's decision to abandon construction of the V.C. Summer units and to eventually seek recovery under the state's credit supportive Base Load Review Act (BLRA) has been much greater than our initial expectations. The review for downgrade recognizes the potential deterioration in credit quality that could occur if some of the more punitive positions that have been put forth by law makers, and the South Carolina Office of Regulatory Staff (ORS), were to be implemented.

We still believe it is possible to achieve a balanced regulatory outcome that could allow SCE&G to move forward and focus on ongoing utility operations, while providing some rate relief to customers, which would be supportive of the company's current credit quality and ratings. However, in the current politically charged environment, where some law makers appear to be looking for a means to ensure rate payers bear none of the costs of the abandoned nuclear construction, this scenario seems more difficult to attain.

The review will focus on the impact of ongoing proceedings before the SCPSC regarding the ORS request for rate relief. We will also monitor pending legislative proceedings which appear to be focused on enacting new laws or amendments that would essentially undo the credit supportive elements of the BLRA and return to a more traditional rate making framework which would result in less assured cost recovery.

In September, ORS requested that the SCPSC issue an order immediately suspending all rates SCE&G is collecting in conjunction with the V.C. Summer construction project under the BLRA; and if the BLRA is found to be unconstitutional or is amended or revoked, to require the utility to provide credits or make refunds to customers. In October, ORS amended its request to add that the SCPSC also consider the most prudent manner for SCE&G to enable its customers to realize the value of the monetized Toshiba Corporation guarantee payment. SCE&G has filed a motion to dismiss the ORS request. A procedural schedule has been established and a hearing date set for December 12, 2017.

From a credit perspective, when considering that SCE&G is no longer exposed to the construction, execution and concentration risks of building a large complex nuclear project, and given previous credit supportive regulatory decisions, the companies' ratings are currently relatively well positioned. However, the political and regulatory environment has become less predictable and some of these proposals, if adopted, could meaningfully weaken future financial performance.

Specifically, if the ORS recommendations were to be adopted, there would be a significant reduction in cash flow and a meaningful impact on credit metrics. For example, we estimate the companies' ratios of cash flow from operations excluding changes in working capital (CFO pre-WC) to debt, which are currently in the high-teens to twenty percent range, could move to the mid-to-low teens range. In addition, implementation of the ORS recommendation could lead to a substantial asset impairment, which in some downside scenarios, could result in a covenant violation under the companies' credit facilities, restricting their access to liquidity. In light of the increased regulatory and political uncertainty, the resulting metrics would likely no longer be appropriate for the companies' current ratings.

**On Review for Downgrade:**

- **Issuer: SCANA Corporation**
  - Issuer Rating, Placed on Review for Downgrade, currently Baa3
  - Senior Unsecured Bank Credit Facility, Placed on Review for Downgrade, currently Baa3
  - Senior Unsecured Commercial Paper, Placed on Review for Downgrade, currently P-3
  - Senior Unsecured Regular Bond/Debenture, Placed on Review for Downgrade, currently Baa3
  - Issuer: South Carolina Electric & Gas Company
    - Commercial Paper, Placed on Review for Downgrade, currently P-2
    - Issuer Rating, Placed on Review for Downgrade, currently Baa2
    - Senior Secured Shelf, Placed on Review for Downgrade, currently (P)A3
    - Senior Secured First Mortgage Bonds, Placed on Review for Downgrade, currently A3
    - Senior Unsecured Bank Credit Facility, Placed on Review for Downgrade, currently Baa2
    - Issuer: South Carolina Fuel Company Inc.
      - Commercial Paper, Placed on Review for Downgrade, currently P-2
      - Senior Unsecured Bank Credit Facility, Placed on Review for Downgrade, currently Baa2

**Outlook Actions:**

- Moody's places SCANA and SCE&G on review for downgrade
EXHIBIT NO. ___ (EL-3)

Page 2 of 3

11/28/2017

Moody's places SCANA and SCE&G on review for downgrade

...Outlook, Changed To Rating Under Review From Negative

...Issuer: South Carolina Electric & Gas Company

...Outlook, Changed To Rating Under Review From Negative

The principal methodology used in these ratings was Regulated Electric and Gas Utilities published in June 2017. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

The new V.C. Summer Units 2 and 3 are two Westinghouse AP1000 nuclear units (approximately 1,100 MWs each) that had been under construction at SCE&G's existing VC Summer plant site. SCE&G owns 55% of the new units, with the remaining 45% owned by Santee Cooper.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page on www.moodys.com.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this credit rating action, and whose ratings may change as a result of this credit rating action, the associated regulatory disclosures will be those of the guarantor entity.

Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

Laura Schumacher
VP - Senior Credit Officer
Infrastructure Finance Group
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Jim Hempstead
MD - Utilities
Infrastructure Finance Group
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Moody’s Investors Service

© 2017 Moody’s Corporation, Moody’s Investors Service, Inc., Moody’s Analytics, Inc. and/or their licensors and affiliates (collectively, “MOODY’S”). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY’S INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES (“MIS”) ARE MOODY’S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MOODY’S PUBLICATIONS MAY INCLUDE MOODY’S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY’S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY’S OPINIONS INCLUDED IN MOODY’S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY’S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY’S ANALYTICS, INC. CREDIT RATINGS AND MOODY’S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY’S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY’S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY’S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY’S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY’S CREDIT RATINGS AND MOODY’S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE UNREASONABLE AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY’S CREDIT RATINGS OR MOODY’S PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REEXECUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY’S PRIOR WRITTEN CONSENT.

All information contained herein is obtained by MOODY’S from sources believed to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided ‘AS IS’ without warranty of any kind. MOODY’S adopts all...
Moody's places SCANA and SCE&G on review for downgrade

necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY’S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY’S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody’s publications.

To the extent permitted by law, MOODY’S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY’S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY’S.

To the extent permitted by law, MOODY’S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY’S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody’s Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody’s Corporation (“MCO”), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody’s Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody’s Investors Service, Inc. for appraisal and rating services rendered by it fees ranging from $1,500 to approximately $2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS’s ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading “Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy.”

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY’S affiliate, Moody’s Investors Service Pty Limited ABN 61 003 369 657AFSL 336969 and/or Moody’s Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to “wholesale clients” within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY’S that you are, or are accessing the document as a representative of, a “wholesale client” and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to “retail clients” within the meaning of section 761G of the Corporations Act 2001. MOODY’S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be reckless and inappropriate for retail investors to use MOODY’S credit ratings or publications when making an investment decision. If in doubt you should contact your financial or other professional adviser.

Additional terms for Japan only: Moody’s Japan K.K. ("MJJK") is a wholly-owned credit rating agency subsidiary of Moody’s Group Japan G.K., which is wholly-owned by Moody’s Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody’s SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJJK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJJK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJJK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) rated by it are not NRSROs. Credit ratings assigned by MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJJK or MSFJ (as applicable) for appraisal and rating services rendered by it fees ranging from JPY200,000 to approximately JPY350,000,000.

MJJK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.
Research Update:

SCANA Corp. And Subsidiaries Downgraded To 'BBB' On Adverse Regulatory Developments And Placed On Watch Negative

Primary Credit Analyst:
Todd A Shipman, CFA, Boston (1) 617-530-8241; todd.shipman@spglobal.com

Secondary Contact:
Safina Ali, CFA, New York (1) 212-438-1877; safina.ali@spglobal.com

Table Of Contents

Overview
Rating Action
Rationale
CreditWatch
Ratings Score Snapshot
Issue Ratings
Related Criteria
Ratings List
Research Update:
SCANA Corp. And Subsidiaries Downgraded To 'BBB' On Adverse Regulatory Developments And Placed On Watch Negative

Overview

- The current level of the customer rates of South Carolina Electric & Gas Co., SCANA Corp.'s largest operating subsidiary, are in jeopardy because of the company's abandonment of two nuclear units it was building.
- We are lowering our ratings one notch on SCANA and subsidiaries South Carolina Electric & Gas Co. (SCE&G) and Public Service Co. of North Carolina Inc. (PSNC), including the issuer credit ratings to 'BBB' from 'BBB+', due to adverse regulatory developments in South Carolina that have weakened the consolidated business risk profile.
- We are placing the ratings on CreditWatch with negative implications.
- We also revised our stand-alone credit profile (SACP) on SCE&G downward to 'bbb' from 'bbb+'.
- The negative CreditWatch listing indicates potentially lower ratings depending on the regulatory and legislative responses to the company's efforts to recover the abandoned investment.
- If rates are lowered by the South Carolina Public Service Commission (SCPSC), an additional one- or two-notch downgrade is possible in the near term.
- We could downgrade the ratings further if the SCPSC orders large rate refunds or credits, or if the South Carolina legislature retroactively changes the law that underpins our expectation of substantial recovery of the nuclear plant investment.

Rating Action

On Sept. 29, 2017, S&P Global Ratings lowered its ratings one notch on SCANA Corp. and subsidiaries South Carolina Electric & Gas Co. (SCE&G) and Public Service Co. of North Carolina Inc. (PSNC), including the issuer credit ratings (ICR) to 'BBB' from 'BBB+', and placed them on CreditWatch with negative implications.

We also revised our assessment of the consolidated business risk profile to strong from excellent. At the same time, we revised our stand-alone credit profile (SACP) on SCE&G downward to 'bbb' from 'bbb+' based on a revised business risk assessment.
Rationale

The South Carolina Office of Regulatory Staff (ORS), an independent state agency that represents the public interest before the South Carolina Public Service Commission (SCPSC), the courts, and the legislature, has petitioned the commission to roll back rates authorized for SCE&G related to the construction of the now-abandoned Summer nuclear Units 3 and 4. If adopted by the SCPSC, which has already appointed a hearing officer and asked for an expedited schedule for the docket, the petition could result in a $445 million rate decrease. A rate decrease of that magnitude would weaken credit metrics to a degree that would likely lead to a further ratings downgrade of up to two notches.

The ORS, the executive director of which is appointed by the legislature, is also asking the PSC to consider ordering refunds or rate credits for all previously collected Summer-related monies if the legislature repeals or amends the Base Load Review Act (BLRA) or if a court finds it to be unconstitutional. The BLRA is the state law that provided for the collection of the financing costs during Summer construction and other important provisions that reduced the regulatory risk of the project. The total of all rates collected for Summer to date is about $1.76 billion.

The ORS cites a recent South Carolina Attorney General (AG) opinion that the BLRA is "constitutionally suspect" to support its filing. According to the ORS, the AG’s opinion is likely to lead the legislature to change or revoke the law or that a court will be asked to rule on its constitutionality. The ORS is also pointing to allegations that SCE&G failed to disclose necessary information to the PSC that "would have appeared to provide a basis for challenging prior requests".

Any attempt to retroactively change the BLRA or a SCPSC refund or rate credit order could lead to further downgrades depending on the size and pace of the amounts forwarded to customers.

SCE&G and Santee Cooper have agreements with Westinghouse Electric Co. LLC’s parent company, Toshiba Corp., under which Toshiba will pay the companies $2.3 billion to satisfy all claims for damages associated with Westinghouse’s rejection of the Summer engineering, procurement, and construction (EPC) contract. SCE&G’s portion is about $1.2 billion (55% of total). The company has monetized most of that amount through a third-party bank, which gives the company over $1 billion of liquidity as it confronts the possibility of rate decreases and refunds or credits.

SCANA abandoned construction of the two new nuclear units amid the withdrawal from the project of its partner, the South Carolina Public Service Authority (Santee Cooper), and estimates of greater construction costs and delays. The poor public and political reaction to the decision by the partners has not reflected well on SCANA management’s ability to manage and contain its regulatory risk, and we have revised our assessment of management and
governance in our analysis accordingly. As permitted under the BLRA, the legal framework through which SCANA undertook construction of the new nuclear units, the company filed last month with the SCPSC to recover $4.9 billion over 60 years at its cost of capital. The BLRA framework contemplates recovery of the abandoned investment with a return, without specifying the level of the return. In late 2016, the SCPSC deemed prudent capital costs for the project up to $7.6 billion.

Liquidity
We assess SCANA’s liquidity as adequate to cover its needs over the next 12 months. We expect the company’s liquidity sources will exceed uses by 1.1x or more, the minimum threshold for a designation of adequate under our criteria, and that the company will also meet our other requirements for such a designation. SCANA’s liquidity benefits from stable cash flow generation and availability under its revolving credit facilities.

Other support for our liquidity assessment includes the company's ability to absorb high-impact, low-probability events with limited need for refinancing; its flexibility to lower capital spending; sound bank relationships; solid standing in credit markets; and generally prudent risk management.

SCANA has a total of about $2 billion under its revolving credit facilities, the bulk of which matures in 2020, and the $1 billion of proceeds from the monetization of its Toshiba agreement, although the use of these proceeds is yet to be determined and is not factored into our assessment of liquidity below.

Principal liquidity sources:
• Cash funds from operations (FFO) of about $1.5 billion; and
• $2.0 billion in cash and available credit facilities.

Principal liquidity uses:
• Capital spending of up to $1.4 billion;
• Dividends of $365 million; and
• Debt maturities of about $885 million including amounts outstanding under the commercial paper program.

CreditWatch
The CreditWatch with negative implications on SCANA and its subsidiaries reflects our view that the political atmosphere in South Carolina following the company's decision to abandon Summer construction has worsened and could result in regulatory and legislative decisions that harm both the business and financial risk of SCANA. We could lower the ratings on SCANA and its subsidiaries if Summer-related rates are rescinded. We could further lower ratings if legal challenges to a rate decrease are unsuccessful, if the SCPSC orders cash refunds or rate credits for Summer-related costs, if the BLRA is repealed or changed by the legislature, or if the BLRA is deemed unconstitutional.
Ratings Score Snapshot

Corporate Credit Rating: BBB/Watch Neg/A-2

Business risk: Strong
• Country risk: Very low
• Industry risk: Very low
• Competitive position: Satisfactory

Financial risk: Significant
• Cash flow/Leverage: Significant

Anchor: bbb

Modifiers
• Diversification/Portfolio effect: Neutral (no impact)
• Capital structure: Neutral (no impact)
• Financial policy: Neutral (no impact)
• Liquidity: Adequate (no impact)
• Management and governance: Fair (no impact)
• Comparable rating analysis: Neutral (no impact)

Stand-alone credit profile: bbb
• Group credit profile: bbb

Issue Ratings

Capital structure
SCANA’s capital structure consists of about $2 billion of unsecured debt issued by SCANA and $5.8 billion of debt issued by its subsidiaries.

Analytical conclusions
• The unsecured debt at SCANA is rated one notch below the issuer credit rating because it ranks behind a significant amount of debt issued by subsidiaries in the capital structure.
• Secured debt at SCE&G benefits from a first-priority lien on substantially all of the utility’s real property owned or subsequently acquired. Collateral provides coverage of more than 1.5x, supporting a recovery rating of '1+' and an issue rating two notches above the issuer credit rating.
• Unsecured debt at the utility subsidiaries is rated the same as the issuer credit rating in accordance with criteria.

Related Criteria
• Criteria – Corporates – General: Reflecting Subordination Risk In
Corporate Issue Ratings, Sept. 21, 2017

- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria - Corporates - General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria - Corporates - General: Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology, Nov. 19, 2013
- Criteria - Corporates - Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outdoors, Sept. 14, 2009

Ratings List

Downgraded; CreditWatch/Outlook Action;

<table>
<thead>
<tr>
<th>To</th>
<th>From</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCANA Corp.</td>
<td></td>
</tr>
<tr>
<td>South Carolina Electric &amp; Gas Co.</td>
<td></td>
</tr>
<tr>
<td>Public Service Co. of North Carolina Inc.</td>
<td></td>
</tr>
<tr>
<td>Corporate Credit Rating</td>
<td>BBB/Watch Neg/A-2 BBB+/Developing/ A-2</td>
</tr>
</tbody>
</table>

Ratings Affirmed; CreditWatch Action

<table>
<thead>
<tr>
<th>To</th>
<th>From</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Carolina Fuel Co.</td>
<td></td>
</tr>
<tr>
<td>Corporate Credit Rating</td>
<td>--/Watch Neg/A-2 A-2</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>A-2/Watch Neg A-2</td>
</tr>
</tbody>
</table>

SCANA Corp.
- Commercial Paper A-2/Watch Neg A-2

Public Service Co. of North Carolina Inc.
- Commercial Paper A-2/Watch Neg A-2

South Carolina Electric & Gas Co.
- Commercial Paper A-2/Watch Neg A-2
Downgraded; CreditWatch Action

<table>
<thead>
<tr>
<th>SCANA Corp.</th>
<th>To</th>
<th>From</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Unsecured</td>
<td>BBB-/Watch Neg</td>
<td>BBB</td>
</tr>
<tr>
<td>Junior Subordinated</td>
<td>BB+/Watch Neg</td>
<td>BBB-</td>
</tr>
</tbody>
</table>

Public Service Co. of North Carolina Inc.

<table>
<thead>
<tr>
<th>To</th>
<th>From</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Unsecured</td>
<td>BBB/Watch Neg</td>
</tr>
</tbody>
</table>

Downgraded; CreditWatch Action; Recovery Unchanged

<table>
<thead>
<tr>
<th>South Carolina Electric &amp; Gas Co.</th>
<th>To</th>
<th>From</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Secured</td>
<td>A-/Watch Neg</td>
<td>A</td>
</tr>
<tr>
<td>Recovery Rating</td>
<td>1+</td>
<td>1+</td>
</tr>
<tr>
<td>Preferred Stock</td>
<td>BB+/Watch Neg</td>
<td>BBB-</td>
</tr>
</tbody>
</table>
EXHIBIT NO. ___ (EL-4)
Page 8 of 8

Copyright © 2017 by Standard & Poor’s Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P’s public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription) and www.spcapitaliq.com (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.
Fitch Downgrades SCANA to 'BB+' / SCE&G to 'BBB-'; Negative Watch Maintained

Fitch Ratings—New York—29 September 2017: Fitch Ratings has downgraded the Long-Term Issuer Default Ratings (IDRs) of South Carolina Electric and Gas Co (SCE&G) and its parent SCANA Corp. (SCANA) by one notch to 'BBB-' and 'BB+', respectively. Fitch also downgraded the ratings of Public Service Company of North Carolina (PSNC) by one notch, to 'BBB-', given the rating linkage with its parent, SCANA. Concurrently, the Short-Term IDRs of SCE&G, PSNC and South Carolina Fuel Company were downgraded to 'F3' from 'F2' while the Short-Term IDR of SCANA was downgraded to 'B' from 'F3'. The downgrade reflects the intense legislative and regulatory scrutiny of the abandoned units 2 and 3 of the V.C. Summer nuclear plant and recent comments by the South Carolina Attorney General that question the constitutionality of the Baseload Review Act (BLRA). A full list of ratings actions is listed at the end of this release.

Fitch is concerned with the sharp deterioration in the legislative and regulatory environment in South Carolina. There is a significant risk that SCE&G may have to cease collection of revenues related to the new nuclear units, as petitioned by the Office of the RegulatoryStaff (ORS) to the SC Public Service Commission (PSC) until the legal issues regarding the BLRA are resolved. Fitch could consider additional negative rating actions if the BLRA were to be found unconstitutional and material refunds required. The Rating Watch Negative primarily reflects the risk that adverse regulatory orders could lead to restricted liquidity, constrained capital access and incremental debt issuance that alters the structural priority of debt levels. Fitch expects to resolve the Rating Watch once better visibility is obtained regarding the PSC order on the ORS petition as well as the liquidity and financing strategy at both SCANA and SCE&G.

KEY RATING DRIVERS

Deterioration of the Regulatory and Legislative Environment: The rating downgrade primarily reflects the severe deterioration in the legislative and regulatory construct in SC in recent days. The filing by the ORS seeking immediate suspension of revenues related to the new nuclear units as approved under the BLRA and possible refund of all revenues collected to date exemplifies the challenging environment. The House and Senate-led committees are critically reviewing the path of the failed project. In addition, criminal investigation into SCANA’s management of the project and SC Attorney General’s adverse evaluation of the constitutionality of the BLRA renders negotiation of a settlement for the recovery of the stranded costs impossible, in Fitch’s view. Legal battles are expected to establish constitutionality of the BLRA, which will lead to a protracted period of uncertainty.

Potential Suspension of BLRA-Related Revenues: The BLRA-related revenues have been crucial to SCE&G maintaining credit metrics consistent with an investment-grade rating during the nuclear construction period. They represent roughly one third of SCE&G’s estimated EBITDA for 2017 and the primary source of funds to start repayment of the construction-related debt incurred in recent years. Suspension of $445 million of BLRA-related revenues would lead to approximately 200bps deterioration in adjusted debt / EBITDAR metrics, which were at 4.5x as of June 30, 2017. While not part of Fitch's base case scenario, any permanent loss of BLRA-related revenues and associated write-offs would materially impair SCE&G’s financial health, leading to multi-notch rating downgrades for SCE&G and SCANA depending on the repayment mechanisms and financing options available to them. In absolutely the worst-case scenario, if SCE&G is asked to refund to customers the $1.8 billion collected to date under the BLRA and all stranded assets are disallowed, the financial viability of the companies could be threatened.

Tax Offsets and Toshiba Guarantee: Tax deductions and the guarantee payments by Toshiba Corp are the most significant source of financial relief available to SCE&G and ratepayers. Management estimates that tax deductions for stranded costs and research and development at about $2 billion while payments due under the Toshiba guarantee were set at $1.192 billion. Recent announcement of the monetization of the settlement payments from Toshiba alleviates the collection risks stemming from its weak financial condition and the extended payment terms. Allocation of $1.1 billion of proceeds to reduce short-term borrowings can improve SCE&G’s liquidity position and reduce financial leverage by about 0.5x.

Financial Policy and Capital Structure: Management’s financial policy, including targeted leverage and allocation of capital, will also be key rating drivers going forward. The parameters set for SCE&G’s and SCANA’s IDRs incorporated significant latitude for leverage metrics to exceed levels commensurate with the ratings during the peak construction period. The loss of BLRA-related revenues would significantly curtail SCE&G’s and SCANA’s ability to generate FCF over the medium term. A more adverse outcome, including the permanent loss of any future BLRA-related revenues and write-off of all stranded assets, could permanently impair the balance sheet and FCF generation, constrain access to capital markets and materially impact the credit profile.

DERIVATION SUMMARY
SCE&G is a vertically integrated regulated utility company operating exclusively in South Carolina. SCE&G's credit profile is constrained by the heightened regulatory and legislative risk related to the abandonment of its nuclear expansion project. SCE&G has a smaller scale and balance sheet than Georgia Power Company (A/Negative Watch), who undertook similar new nuclear construction risk. SCE&G and Dayton Power & Light Company (DP&L) (BB+/Negative) both operate regulated assets with evolving regulatory constructs. SCE&G's IDR is one notch above that of DP&L, despite slightly weaker credit metrics, as DP&L's ratings are constrained by those of its parent DPL, Inc (B+/Negative).

SCANA is weakly positioned compared to IPALCO Enterprises, Inc.'s (BB+/Stable), given the more constructive and predictable regulatory environment of IPALCO's subsidiary, Indiana Power and Light Company (BBB-/Stable). IPALCO's greater earnings and cash flow visibility more than offset its higher proportion of parent-level debt. SCANA has a favorable business profile as compared to DPL, Inc (B+/Negative) given its predominant regulated operations. DPL is currently in the process of transitioning DP&L's generation assets to a non-regulated subsidiary and is exposed to commodity risk on those generation assets. However, Ohio's regulatory construct, while still in transition, is more constructive than what is playing out in South Carolina. In addition, Ohio regulators continue to demonstrate a willingness to take actions to protect the financial integrity of its utilities.

Fitch focuses on operational ties between SCANA, SCE&G and PSNC in assessing the rating linkage between them, in accordance with its criteria for subsidiaries with stronger credit profiles than their parents. Fitch assesses the operational ties as strong given the shared management and centralized treasury operations. In addition, SCE&G generates the majority of SCANA's earnings while PSNC relies on equity infusions from SCANA to implement its expansion program. As a result, Fitch currently rates SCE&G and PSNC one-notch above SCANA.

KEY ASSUMPTIONS

Fitch's key assumptions within our rating case for the issuer include:
-- Abandonment of V.C. Summer units 2 and 3 with net stranded costs of about $2.2 billion. No write-down of regulatory assets over the forecast period;
-- Cessation of collection of all BLRA-related revenues until the legal challenges to the BLRA are resolved (through 2019 on a conservative basis);
-- Monetization of Toshiba guaranty settlement payments for $1.016 billion in Sept. 2017 and receipt of $82.5 million in Oct. 2017;
-- A wide range of regulatory outcomes to the petition to abandon the nuclear project were considered, including significant write-downs of stranded assets and rebate of the Toshiba guaranty settlement to ratepayers in 2018-2019;
-- No base rate case filings and no material change to the 10.25% base authorized ROE.

RATING SENSITIVITIES

RATING SENSITIVITIES FOR SCANA
Positive Rating Action: The ratings could be stabilized if rate recovery mechanism authorized by the PSC for the stranded V.C. Summer expansion project and management's financial policy result in SCANA's adjusted debt/EBITDAR stabilizing at or below 5.5x. Positive rating actions could be considered if risks related to the new nuclear construction project are resolved and adjusted debt/EBITDAR can be maintained at or below 4.5x.

Negative Rating Action: Future developments that may, individually or collectively, lead to a negative rating action include:
-- Availability under committed liquidity facilities and anticipated internally generated cash flows falling short of expected obligations due in the next 12-18 months;
-- Unfavorable terms for the recovery of stranded costs and/or material unrecoverable costs;
-- Adjusted debt/EBITDAR consistently and materially exceeding 5.5x;
-- Shareholder-friendly initiatives, especially when combined with adverse regulatory outcome to the abandonment filing;
-- Ring-fencing provisions that restrict cash inflows from SCE&G to SCANA.

RATING SENSITIVITIES FOR SCE&G
Positive Rating Action: The ratings could be affirmed if rate recovery mechanism authorized by the PSC for the stranded V.C. Summer expansion project and management's financial policy result in SCE&G's adjusted debt/EBITDAR stabilizing at or below 5.0x. Positive rating actions could be considered if risks related to the new nuclear construction project are resolved and adjusted debt/EBITDAR can be maintained at or below 4.0x. Fitch could widen the rating differential between the IDR's of SCE&G and SCANA if strong ring-fencing provisions were enacted.

Negative Rating Action: Future developments that may, individually or collectively, lead to a negative rating action include:
-- Availability under committed liquidity facilities and anticipated internally generated cash flows falling short of expected obligations due in the next 12-18 months.
-- Unfavorable terms for the recovery of stranded costs, and/or material unrecoverable costs;

https://www.fitchratings.com/site/pr/1029988
--Continued deterioration in the regulatory and legislative environment in South Carolina;
--Adjusted debt/EBITDAR consistently and materially exceeding 5.0x.

RATING SENSITIVITIES FOR PSNC
Positive Rating Action: PSNC's ratings could be affirmed if SCANA's IDR is stabilized at 'BB+'. Positive rating action is predicated upon a rating upgrade of SCANA given PSNC's rating linkage with its parent. Fitch could widen the rating differential between the IDRs of PSNC and SCANA if strong ring-fencing provisions were enacted.

Negative Rating Action: Given the strength of the credit metrics for the current ratings, a downgrade of parent SCANA below the current 'BB+' represents the greatest likelihood of a PSNC downgrade. While less likely given the headroom, a downgrade could also occur if adjusted debt/EBITDAR exceeds 5.5x on a sustained basis.

LIQUIDITY

SCANA has adequate financial flexibility, under Fitch's base case scenario, to meet its obligations over the next 12 months without accessing the capital markets. As of June 30, 2017, SCANA had about $350 million available under its $400 million five-year credit agreement (expiry in December 2017) while SCE&G had $320 million available under credit agreements totalling $1.4 billion (mostly expiring in December 2020) and PSNC has full availability under its $200 million line of credit. Consolidated cash balances were minimal, a frequent occurrence in the electric utility sector.

Availability under SCANA's and SCE&G's credit facilities at June 30, 2017, is roughly equal to its debt maturities through 2018. Fitch estimates that SCANA incurred a very modest cash burn since the second quarter and anticipates that SCANA will be roughly FCF neutral in the next 12 to 18 months, including the loss of BLRA-related revenues but excluding any Toshiba-related rebates. Curtailment of dividend payments could provide up to $300 million of incremental liquidity, if needed. Monetization of the Toshiba guarantee payments, and the scheduled payment on Oct. 1, 2017, will bolster liquidity by $1.1 billion provided that mandated customer rebates related to this offset, if any, are spread over a long period of time. As a conservative assumption, Fitch's base case scenario assumes that Toshiba-related payments are initially allocated to reduce short-term borrowings but customer rebates to ratepayers are mandated by the PSC over 2018-2019.

Materially adverse scenarios such as permanent suspension of BLRA revenues or, in an extreme scenario, requirement for SCE&G to refund to customers the $1.8 billion collected to date under the BLRA, could create significant liquidity concerns and constrain access to capital. The credit agreements require each entity (SCANA, SCE&G and PSNC) to maintain a debt ratio of no more than 70%. Fitch estimates that SCANA had a 57% debt ratio and SCE&G had a 53% debt ratio at June 30, 2017.

FULL LIST OF RATING ACTIONS

Fitch has downgraded the following ratings and maintained them on Rating Watch Negative.

SCANA Corporation
--Long-term IDR to 'BB+' from 'BBB-';
--Senior Unsecured debt to 'BB+' from 'BBB-';
--Short-term IDR to 'B' from 'F3'.
--Commercial Paper to 'B' from 'F3'.

South Carolina Electric & Gas Co.
--Long-term IDR to 'BBB' from 'BBB';
--First Mortgage bonds to 'BBB+' from 'A-';
--Senior Unsecured debt to 'BBB' from 'BBB+';
--Short-term IDR to 'F3' from 'F2';
--Commercial paper to 'F3' from 'F2'.

Public Service Company of North Carolina, Inc.
--Long-term IDR to 'BBB' from 'BBB';
--Senior Unsecured debt to 'BBB' from 'BBB+';
--Short-term IDR to 'F3' from 'F2';
--Commercial paper to 'F3' from 'F2'.

South Carolina Fuel Company
--Commercial paper to 'F3' from 'F2'.

Fitch is also assigning a senior unsecured rating to several existing senior unsecured notes at PSNC that were not included in the
Summary of Financial Statement Adjustments - No financial statement adjustments were made that were material to the rating rationale outlined above.

Media Relations: Alyssa Castelli, New York, Tel: +1 (212) 908 0540, Email: alyssa.castelli@fitchratings.com.

Additional information is available at www.fitchratings.com. For regulatory purposes in various jurisdictions, the supervisory analyst named above is deemed to be the primary analyst for this issuer; the principal analyst is deemed to be the secondary.

Applicable Criteria

Additional Disclosures
Dodd-Frank Rating Information Disclosure Form (https://www.fitchratings.com/site/dodd-frank-disclosure/1029988)
Solicitation Status (https://www.fitchratings.com/site/pr/1029988#solicitation)
Endorsement Policy (https://www.fitchratings.com/regulatory)


Copyright © 2017 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a
given security or in a given jurisdiction. The manner of Fitch’s factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch’s ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed. The information in this report is provided “as is” without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US$1,000 to US$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US$10,000 to US$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001

Solicitation Status
Fitch Ratings was paid to determine each credit rating announced in this Rating Action Commentary (RAC) by the obligatory being rated or the issuer, underwriter, depositor, or sponsor of the security or money market instrument being rated, except for the following:

<table>
<thead>
<tr>
<th>Unsolicited Issuers:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Entity/Security</strong></td>
</tr>
<tr>
<td>South Carolina Fuel Company USCP 4(2)/144A D</td>
</tr>
</tbody>
</table>

Endorsement Policy - Fitch’s approach to ratings endorsement so that ratings produced outside the EU may be used by regulated entities within the EU for regulatory purposes, pursuant to the terms of the EU Regulation with respect to credit rating agencies, can be found on the EU Regulatory Disclosures (https://www.fitchratings.com/regulatory) page. The endorsement status of all International ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for all structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.
Pro Forma Effect of Asset Impairment on Capital Structure

A. SCE&G Regulatory Earnings Report to the Commission, Sept 30, 2017

<table>
<thead>
<tr>
<th></th>
<th>30-Sep-17</th>
<th>Adjustments (a)</th>
<th>Adjusted, with Toshiba Guarantee</th>
<th>Adjustments(b)</th>
<th>Adjusted, without Toshiba Guarantee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-Term Debt</td>
<td>4,928,770,000</td>
<td>0</td>
<td>4,928,770,000</td>
<td>0</td>
<td>4,928,770,000</td>
</tr>
<tr>
<td>Current Maturities LTD</td>
<td>173,000,000</td>
<td>0</td>
<td>173,000,000</td>
<td>0</td>
<td>173,000,000</td>
</tr>
<tr>
<td>Short-term Notes</td>
<td>945,000,000</td>
<td>0</td>
<td>945,000,000</td>
<td>0</td>
<td>945,000,000</td>
</tr>
<tr>
<td>Total Debt</td>
<td>6,108,000,000</td>
<td>0</td>
<td>5,163,000,000</td>
<td>0</td>
<td>6,108,000,000</td>
</tr>
<tr>
<td>Common Equity</td>
<td>5,377,832,362</td>
<td>(2,300,000,000)</td>
<td>3,077,832,362</td>
<td>(3,000,000,000)</td>
<td>2,377,832,362</td>
</tr>
<tr>
<td>Preferred Equity</td>
<td>100,000</td>
<td>0</td>
<td>100,000</td>
<td>0</td>
<td>100,000</td>
</tr>
<tr>
<td>Total Capitalization</td>
<td>10,306,702,362</td>
<td>(2,300,000,000)</td>
<td>8,006,702,362</td>
<td>(3,000,000,000)</td>
<td>7,306,702,362</td>
</tr>
<tr>
<td>Debt to Capital %</td>
<td>47.82%</td>
<td></td>
<td>61.56%</td>
<td></td>
<td>67.46%</td>
</tr>
</tbody>
</table>

B. SCE&G Report to the SEC on Form 10-Q, Sept 30, 2017

<table>
<thead>
<tr>
<th></th>
<th>30-Sep-17</th>
<th>Adjustments (a)</th>
<th>Adjusted, with Toshiba Guarantee</th>
<th>Adjustments(b)</th>
<th>Adjusted, without Toshiba Guarantee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-Term Debt</td>
<td>4,990,000,000</td>
<td>0</td>
<td>4,990,000,000</td>
<td>0</td>
<td>4,990,000,000</td>
</tr>
<tr>
<td>Current Maturities LTD</td>
<td>173,000,000</td>
<td>0</td>
<td>173,000,000</td>
<td>0</td>
<td>173,000,000</td>
</tr>
<tr>
<td>Short-term Notes</td>
<td>945,000,000</td>
<td>0</td>
<td>945,000,000</td>
<td>0</td>
<td>945,000,000</td>
</tr>
<tr>
<td>Total Debt</td>
<td>6,108,000,000</td>
<td>0</td>
<td>5,163,000,000</td>
<td>0</td>
<td>6,108,000,000</td>
</tr>
<tr>
<td>Common Equity</td>
<td>5,377,832,362</td>
<td>(2,300,000,000)</td>
<td>3,077,832,362</td>
<td>(3,000,000,000)</td>
<td>2,377,832,362</td>
</tr>
<tr>
<td>Preferred Equity</td>
<td>100,000</td>
<td>0</td>
<td>100,000</td>
<td>0</td>
<td>100,000</td>
</tr>
<tr>
<td>Total Capitalization</td>
<td>11,485,932,362</td>
<td>(3,245,000,000)</td>
<td>8,240,932,362</td>
<td>(3,000,000,000)</td>
<td>8,485,932,362</td>
</tr>
<tr>
<td>Debt to Capital %</td>
<td>53.18%</td>
<td></td>
<td>62.65%</td>
<td></td>
<td>71.98%</td>
</tr>
</tbody>
</table>

Notes:

a. Common Equity: Loss associated with $4.8 billion asset write-off net of $1.8 billion in taxes and after-tax recovery of $0.7 billion from Toshiba Guarantee proceeds. Short-term debt: Reduced by application of part of gross proceeds of Toshiba Guarantee.
b. Common Equity: Loss associated with $4.8 billion asset write-off net of $1.8 billion in taxes.